

Is Your Sales Strategy Right for the Times?

As the economic cycle progresses companies tend to alter buying processes. Sales Managers must tailor their approach, be prepared to talk to different customer representatives, and drive change within their own company as the sales environment changes.

Indicators are that the world is emerging from the Global Financial Crisis. Economic activity is up and businesses are again starting to talk of growth rather than restraint. With the recovery in business confidence there will be acceleration in sales activity and some intense battles will be fought as competitors fight to increase market shares. Is your company ready to take advantage of the selling opportunities? And do you need to change your selling approach to address new found caution and conservatism in managers in most industries?

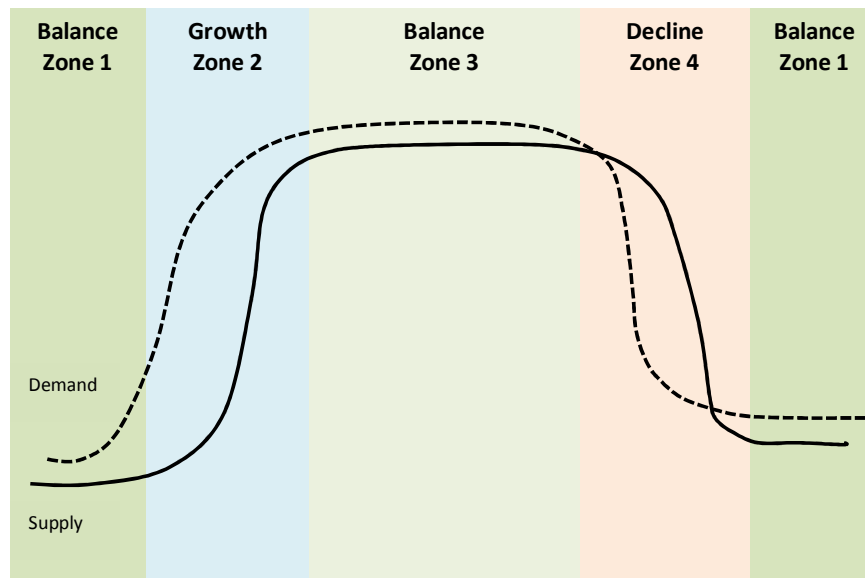
This article will look at the supply and demand cycle and identify some key questions to ask in order to maximize sales effectiveness. Whether you are #1 seeking to guard market share, or #20 seeking to grow market share, an understanding of the questions will lead to insights into what might drive buying behaviour in a difficult marketplace.

The Supply & Demand cycle

It is instructive to consider the forces at play during an economic cycle to see what lessons are there for the sales professional as strategies are reviewed, the next few years are planned and tactics are developed.

From a sales perspective, companies need to be able to recognize the signs of each of the stages comprising an economic cycle and to have a strategic and tactical plan to maximize opportunities at each stage. A simplified supply & demand curve is shown in Figure 1 below.

Supply and Demand Curve



A few observations about the supply and demand curve should be made.

Firstly, there is a dynamic environment at play here, and at any time the two curves are in tension, but rarely in balance.

Secondly, it is in the growth and decline phases where the greatest risk and opportunity exist.

Why change?

Because market conditions are so different at each stage Sales tactics must adapt. For example, a mass market campaign for a discretionary item (say a portable music player) might be unnecessary in a rising market where supply cannot keep up with demand but may be effective where the market is mature (in zone 3) when the cycle has peaked, consumers have plenty of disposable income and supply is capable of fulfilling demand. This may be ineffective in a declining market (zone 4) when consumer confidence falls and discretionary spending is decreasing. How many campaigns have failed, not because of their content, but because they were designed for the wrong stage of the cycle?

Characteristics of the 4 zones of the cycle

	Zone 1	Zone 2	Zone 3	Zone 4	
Supply / demand	Supply ~ demand	Supply < demand	Supply ~ demand	Supply > demand	
Competitive environment	Focus on differentiation	Production capacity wins, sellers market	Focus on differentiation and value	Margins cut, buyers market	

Margins available	Budget products rule, low margin, trending higher as cycle turns	High, lower quality products may demand premium if supply is available	Reducing - Value proposition important	Low – sales decision making becomes bureaucratic and cautious	
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What questions will lead to winning sales tactics?

Zone 1 – market share & new customer opportunities

- Are new sectors available to produce growth?
- What growth will be possible before our current capacity becomes a constraint?
- Are there counter cycle sales targets we can focus on?
- How can we shift selling capability?
- Are new products needed?
- Is our forward advertising appropriate?
- Do we have the capacity and capability to meet the demands of the impending growth phase?
- Has the customer changed their buying or approval process?

Zone 2 – Great times for all?

- How long will this growth cycle last?
- What premium can I extract for services during this time?
- What capability does your company have to increase capacity without reducing quality?
- How do we lock competitors out of our preferred customers?
- Do we have enough selling resources?
- Is our customer service capacity adequate?

It is during this period of the cycle that companies which lack capability will overstretch themselves. For example, a civil constructor may find its first \$500 million government building opportunity, only to find that a project manager who has successfully delivered a \$50 million project is not capable of controlling the added complexity of the larger job, leading to delays, blown out costs and loss of credibility. The wise sales person will understand that such opportunities for business bear huge risk and require different business approaches.

Zone 3 – Value seekers

Whilst similar to zone 1, purchasers who have been paying a premium regain some pricing power, and the sales proposition must make the value clear. The questions to ask include:

- What does the customer value? How does this come through in our proposal?
- Do we need to adjust pricing or create a value offering?
- Are there acquisition opportunities?
- Are our commercial terms structured correctly?

Zone 4 – Preservation and survival

This is a terrible time for poorly prepared sales people, but as always the strong survive and prosper. Most sales people will have been experiencing this environment as the GFC hit the world's economy. Companies deferred capital purchases, eliminated contracted services, cut discretionary expenditure and tightened the approvals process, often transferring buying power up a level in the company.

- Useful questions to ask include:
- Has my sales target lost the authority to buy?
- Who is the new decision maker?
- Has the client become price sensitive?
- Should I offer a budget alternative? Or how can I keep them buying the premium product?
- Is our quality and delivery performance up to scratch?

How do we use this thinking?

These questions are strategic, and they require serious discussion and debate. We recommend that you convene a strategic workshop to build your response to these ideas, and if these concepts are new to your company, use a facilitator to assist in the development of your strategic sales approach.



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